

European Trade Finance: Mid-Tier Providers Feel Pressure from Bulge Bracket and Regionals Alike

2015 Greenwich Leaders: European Large Corporate Trade Finance

Q4 2015

Large European companies are lowering costs and simplifying operations by consolidating trade finance for transactions in their home region into the hands of large banks like BNP Paribas, Deutsche Bank and HSBC. At the same time, companies are tapping the expertise and established networks of local providers in markets like China and Brazil for trade finance related to their growing businesses in these countries. Caught in the middle are mid-tier European banks, whose trade finance franchises are feeling the squeeze.

The results of the Greenwich Associates 2015 European Large Corporate Trade Finance Study show that companies are taking advantage of increasing standardization in trade finance products and services and the spread of electronic initiation of trade finance transactions to streamline processes. Electronic solutions automate and speed the process of obtaining and implementing trade finance products and services.

Electronic Initiation Spurs Market Concentration

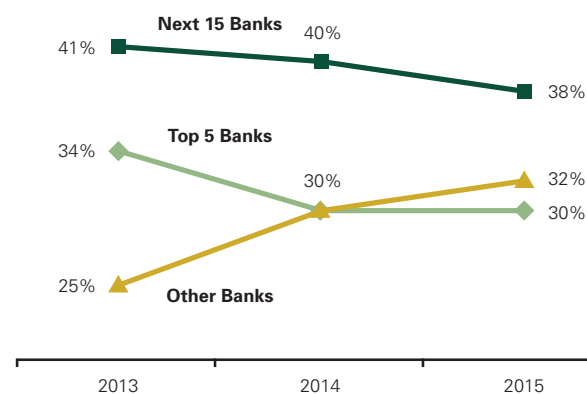
Electronic initiation goes hand-in-hand with market concentration. In any given market, the biggest banks have the deepest pockets and are best able to afford the massive investment required to maintain sophisticated IT platforms. These superior electronic capabilities give companies an incentive to route growing shares of their trade finance business through the biggest banks.

This dynamic is clearly on display in North America, where 56% of trade finance business is initiated electronically. On average, North American companies cite 3.5 banks as trade finance providers, and the region's top five banks make up 43% of citations among companies asked to name their providers. At the other end of the spectrum, most Asian trade finance business is still done on paper, with only 28% initiated electronically. The Asian business is much less concentrated, with large companies citing an average 5.9 providers and the region's top banks capturing 29% of citations.

Western Europe's trade finance market resides somewhere between those two extremes. The market's top five banks account for 30% of provider citations among corporates with a minimum annual turnover of \$1 billion. As recently as 2013, mid-tier providers—those ranked between six and 15 in terms of market penetration—accounted for 41%.

In 2015 that share declined to 38%. Meanwhile, banks ranked outside the top 15, led by large banks in emerging markets and other foreign countries, have increased their share of citations from 25% in 2013 to 32% this year.

Share of Total Citations for International Trade Finance



Note: Based on 205 respondents in 2013, 198 in 2014 and 319 in 2015. Respondents were corporates with an annual turnover of at least \$1B.
Source: Greenwich Associates 2015 European Large Corporate Trade Finance Study

Of course, Western Europe itself is a diverse region, and market dynamics vary considerably from country to country. Trade finance markets in Italy, Spain and Portugal are considerably less concentrated than those in the United Kingdom, the Netherlands and Germany. “Companies in Spain and Portugal also differ from their Western European counterparts in another important manner,” says Greenwich Associates consultant Robert Statius-Muller. “They most often use trade finance as a source of financing, as opposed to a tool for risk mitigation. In this respect, they are operating more like companies in Asia than companies in Germany or the United Kingdom.”

Greenwich Associates believes Western Europe is moving steadily and inexorably toward the North American model. Currently, 48% of trade finance business in Western Europe is electronically initiated. European companies cite an average 5.5 trade finance providers, and the region's top five providers represent 30% of citations. “We expect companies in Europe to allocate even bigger shares of wallet to their lead banks as the products they use become increasingly commoditized and electronic initiation becomes more common,” says Greenwich Associates consultant Melanie Casalis.

Greenwich Share Leaders — 2015



European Large Corporate Trade Finance

Bank	Total Relationships	Statistical Rank
BNP Paribas	36%	1
Deutsche Bank	32%	2
HSBC	30%	3
UniCredit	26%	4
Commerzbank	21%	5

European Large Corporate Trade Finance — Germany

Bank	Total Relationships	Statistical Rank
Commerzbank	79%	1
Deutsche Bank	69%	2
UniCredit	60%	3

European Large Corporate Trade Finance — France

Bank	Total Relationships	Statistical Rank
BNP Paribas	85%	1
CA-CIB	63%	2T
HSBC	63%	2T
Société Générale	59%	2T

European Large Corporate Trade Finance — Iberia

Bank	Total Relationships	Statistical Rank
Santander	77%	1
CaixaBank	71%	2T
BBVA	69%	2T

European Large Corporate Trade Finance — Italy

Bank	Total Relationships	Statistical Rank
UniCredit	89%	1T
Intesa Sao Paolo	88%	1T
BNP Paribas/BNL	63%	3

European Large Corporate Trade Finance — The Netherlands

Bank	Total Relationships	Statistical Rank
RBS	54%	1T
ING Bank	49%	1T
Rabobank	49%	1T

European Large Corporate Trade Finance — Nordics

Bank	Total Relationships	Statistical Rank
Nordea	80%	1
Danske	49%	2T
SEB	45%	2T

European Large Corporate Trade Finance — United Kingdom

Bank	Total Relationships	Statistical Rank
HSBC	54%	1
Barclays	33%	2T
RBS	32%	2T

Note: Based on responses from 453 institutions in Europe, 52 in Germany, 41 in France, 35 in Iberia, 57 in Italy, 35 in The Netherlands, 100 in the Nordics, and 63 in the United Kingdom in 2015. For Total Europe, top 5 banks are cited including ties. For individual country markets, top 3 banks are cited including ties.

Source: Greenwich Associates 2015 European Large Corporate Trade Finance Study

Companies Target Cross-Border Trade

Western European companies are the world's most globalized businesses. Large Western European companies do business in 3.6 geographic regions, compared with 2.8–2.9 for companies in North America and Asia, and 2.5 for Latin America.

After Western Europe itself, Asia represents the most important foreign market, as shown by the share of Western European companies utilizing trade finance for transactions in the region. Central Europe is next, followed by the Middle East and Africa, North America and Latin America. “Large companies in Europe and in other regions would be well served to meet with domestic banks in regions like Asia that are offering aggressive pricing on trade finance as a means of forging relationships with companies and building their franchises,” says Greenwich Associates consultant Dr. Tobias Miarka.

Greenwich Share and Quality Leaders

Across Western Europe, companies use trade finance mainly to comply with the wishes of their counterparties

and to mitigate their own exposures to counterparty risk. Trade finance is also playing an increasingly important role in companies' process improvement of working capital management.

To meet these needs, companies demand that banks provide competitive pricing and strong service and operational capabilities. Trade finance providers that meet these basic requirements then compete for business on the basis of their international networks, flexibility of terms and conditions, quality of advice and willingness to provide trade credit. “We expect these market forces will drive further consolidation of trade finance providers as fewer banks will be able or willing to compete in such a market environment” says Dr. Tobias Miarka.

BNP Paribas leads this highly competitive space with a market penetration score of 36%, followed by Deutsche Bank at 32%, HSBC at 30%, UniCredit at 26%, and Commerzbank at 21%. These banks are the 2015 Greenwich Share Leaders in European Large Corporate Trade Finance. The 2015 Greenwich Quality Leader in this market is UniCredit.

Greenwich Quality Leaders — 2015



European Large Corporate Trade Finance Overall Quality

Bank

UniCredit

European Large Corporate Trade Finance Overall Quality — Germany

Bank

Commerzbank

Deutsche Bank

UniCredit

European Large Corporate Trade Finance Overall Quality — France

Bank

CA-CIB

Société Générale

European Large Corporate Trade Finance Overall Quality — Iberia

Bank

Santander

European Large Corporate Trade Finance Overall Quality — Italy

Bank

UniCredit

European Large Corporate Trade Finance Overall Quality — The Netherlands

Bank

ING Bank

RBS

European Large Corporate Trade Finance Overall Quality — Nordics

Bank

Danske

Nordea

SEB

European Large Corporate Trade Finance Overall Quality — United Kingdom

Bank

BNP Paribas

Note: Based on responses from 453 institutions in Europe, 52 in Germany, 41 in France, 35 in Iberia, 57 in Italy, 35 in The Netherlands, 100 in the Nordics, and 63 in the United Kingdom in 2015. Leaders are displayed in alphabetical order.

Source: Greenwich Associates 2015 European Large Corporate Trade Finance Study

The preceding tables present the 2015 Greenwich Share and Quality Leaders in European Large Corporate Trade Finance in each of seven European country markets.

Consultants Dr. Tobias Miarka, Robert Statius-Muller and Melanie Casalis specialize in corporate and investment banking in Europe.

Methodology

Greenwich Associates conducted interviews with 453 financial officers (e.g., CFOs, finance directors and treasurers) at large corporations and financial institutions throughout Belgium, France, Germany, Italy, the Netherlands, Nordic countries, Portugal, Spain, Switzerland, and the United Kingdom. Interviews took place from March through June 2015.

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